STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

C-5
4/15/91
ID
EV
4/18/91
KG

Report on
the Financial Position of
Donald J. Trump

DIVISION OF
FINANCIAL EVALUATIO

TABLE OF CONTENTS

JIM FLORIO
GOVERNOR
STEVEN P. PERSKIE
CHAIRMAN

State of New Jersey
CASINO CONTROL COMMISSION
TENNESSEE AVENUE AND BOARDWALK
ARCADE BUILDING
ATLANTIC CITY, NEW JERSEY 08401

VALERIE H. ARMSTRONG
VICE CHAIR
FRANK J. DODD
JAMES R. HURLEY
W. DAVID WATERS
COMMISSIONERS
(609) 441-3422

April 11, 1991

State of New Jersey
Casino Control Commission

Trump Taj Mahal Associates ("Taj Mahal") and Trump Hotel Management Corp. ("THMC") have applied to the Casino Control Commission ("Commission") for the renewal of their plenary casino licenses for a one-year period. Taj Mahal is a general partnership owned by Trump Taj Mahal, Inc. ("TTMI") and The Trump Taj Mahal Corporation ("TTMC"), whose ownership interests in Taj Mahal are 99.99% and 0.01%, respectively. TTMI and TTMC, in turn, are wholly-owned by Donald J. Trump. (Taj Mahal is presently seeking various approvals to implement a plan of reorganization under Chapter 11 of the United States Bankruptcy Code, which, if approved, will reduce Mr. Trump's equity interest in Taj Mahal to 50.0%.) THMC is a wholly-owned entity of Mr. Trump that provides certain management services to Taj Mahal.

Trump Plaza Associates ("Plaza") and Trump's Castle Associates, L.P. ("Castle") have applied to the Commission for the renewal of their plenary casino licenses for a two-year period. Plaza is a general partnership owned by Mr. Trump and Trump Boardwalk Realty Corporation ("TBRC"), whose ownership interests in Plaza are 99.99% and 0.01%, respectively. TBRC, in turn, is wholly-owned by Mr. Trump. Castle is a limited partnership comprised of one limited partner and two general partners. Castle's 97.99% limited partner is Mr. Trump. Castle's two general partners are Mr. Trump and Trump's Castle Hotel & Casino, Inc., a corporation wholly-owned by Mr. Trump. The general partners hold a 2.0% and 0.01% interest in Castle, respectively.

Pursuant to Section 85(e) of the Casino Control Act ("Act"), any person who directly or indirectly holds a beneficial interest or ownership in an applicant for a casino license must meet the standards of Section 84(a) of the Act by presenting clear and convincing evidence of their financial stability and responsibility. Section 85(e) also requires any person who directly or indirectly holds a beneficial interest or ownership in an applicant for a casino license to meet the standards of Section 84(d) of the Act by demonstrating sufficient business ability and casino experience to assure the likelihood of successful and efficient casino operations. As a result of his 100.0% ownership interest in Taj Mahal, THMC, Plaza, and Castle, Mr. Trump must meet the standards of Sections 84(a) and (d) of the Act.

This report provides our analysis of Mr. Trump since the issuance of our August 13, 1990 memorandum ("August 1990 Memorandum") regarding Petition No. 211003 of Plaza, Castle, Taj Mahal, and THMC seeking approval of, among other things, a transfer of security interests in the equity ownership of certain casino-related entities to banking institutions, a $65.0 million credit facility agreement ("Credit Agreement"), and an override agreement ("Override Agreement"). It includes our analyses of Mr. Trump's financial position at September 30, 1990, as well as significant events and transactions occurring through April 11, 1991. It also includes a discussion of management's forecasted cash flows for the year ending December 31, 1991, which were prepared for Mr. Trump and the entities of The Trump Organization ("Trump Entities") on January 25, 1991 ("January 1991 Forecasts"). Reports addressing the financial stability and responsibility requirements of Section 84(a) of the Act and the business ability and casino experience requirements of Section 84(d) of the Act for Taj Mahal, Castle, and Plaza will be issued under separate cover.

As a result of severe cash flow difficulties, on August 22, 1990, Mr. Trump and certain institutional lenders consummated the Credit Agreement and Override Agreement, which provided for, among other things, a $65.0 million credit facility ("Credit Facility"), interest deferrals, principal repayment extensions and a five-year moratorium (subject to certain exceptions) on the pursuit of claims against Mr. Trump personally. The Credit Agreement and Override Agreement were intended to provide a level of financial and operating stability to Mr. Trump and the Trump Entities and provide them with the ability to operate in an orderly manner as well as allow time for Mr. Trump to develop and implement a long-term plan to address his financial situation. However, despite the benefits of the Credit Agreement and Override Agreement, Mr. Trump's available financial resources have been lower than projected, and, based on the January 1991 Forecasts, Mr. Trump expects to exhaust his available financial resources in July 1991.

Based on the January 1991 Forecasts, Mr. Trump can not be considered financially stable for the upcoming licensure periods of Taj Mahal, THMC, Castle, and Plaza. Consequently, in our opinion, as of April 11, 1991, Mr. Trump has not provided clear and convincing evidence of his financial stability under Section 84(a) of the Act necessary for the renewal of Taj Mahal's and THMC's plenary casino licenses for a one-year period and Plaza's and Castle's plenary casino licenses for a two-year period. Furthermore, due to his severely limited financial resources, Mr. Trump would not have sufficient funds to be considered a financial source for Taj Mahal, Plaza, and Castle, should their respective operations require funds.

However, in response to the current financial difficulties, Mr. Trump and representatives of The Trump Organization are negotiating with Mr. Trump's primary lenders with respect to a restructuring of Mr. Trump's financial obligations ("Proposed Restructuring"). Primarily due to the number of assets, the amount of debt, and the number of lenders involved, Trump management represented that finalized documents related to the Proposed Restructuring may not be completed until August 1991. Despite that, revised forecasts ("March 1991 Forecasts") were prepared, which management stated represent anticipated cash flows of Mr. Trump and the Trump Entities for 1991, 1992, and 1993 based upon management's proposals as presented to their primary lenders. Based upon these figures, it appears that if the Proposed Restructuring is fully implemented and if The Trump Organization is able to meet its March 1991 Forecasts, The Trump Organization might be financially stable. We have not analyzed the March 1991 Forecasts since, to date, the assumptions and representations underlying them have not been agreed to by the lenders and no written documentation has been submitted to support them. Therefore, we recommend that The Trump Organization provide evidence that supports the likelihood of the Proposed Restructuring occurring as presented in the March 1991 Forecasts.

Sincerely,

John H. Trzaka
Director
Division of Financial Evaluation

FINANCIAL POSITION

At September 30, 1990, Mr. Trump's assets consisted primarily of real estate holdings, including Trump Taj Mahal Casino Resort, Trump Plaza Hotel & Casino, Trump Castle Hotel & Casino, and The Trump Regency (a non-gaming hotel located on the boardwalk in Atlantic City formerly known as the Atlantis Casino Hotel). Mr. Trump's other assets consisted of marketable securities and personal and commercial transportation assets. At that date, the value of those assets were estimated by Mr. Trump to be worth $3.6 billion, which included $17.1 million in cash.

The majority of Mr. Trump's assets were funded by external financing. At September 30, 1990, Mr. Trump reported mortgages, construction loans, and other liabilities (including credit line borrowings) directly related to his assets of $3.4 billion, representing nearly 93.5% of the estimated value of his assets. As a result, Mr. Trump's net worth was estimated at $205.7 million at September 30, 1990. It should be noted that Mr. Trump's estimated net worth represents a $1.3 billion decrease from his estimated net worth at May 31, 1989. In addition, Mr. Trump's available financial resources at September 30, 1990 included $17.1 million in cash and $18.0 million available on the $65.0 million Credit Facility.

CREDIT AGREEMENT AND OVERRIDE AGREEMENT

As discussed in our August 1990 Memorandum, Mr. Trump and the Trump Entities have experienced severe cash flow difficulties due to, among other things, less than anticipated operating results at Plaza, Castle, Taj Mahal, and Trump Shuttle, Inc. ("Trump Shuttle"), as well as downturns in the real estate market caused by an economic recession in the Northeastern United States. Management indicated that these cash flow difficulties, as well as other financial developments, have limited Mr. Trump's and the Trump Entities' access to financial markets, thereby impairing their financial flexibility.

As a result of these financial difficulties, certain lenders to Mr. Trump and the Trump Entities agreed to restructure a portion of Mr. Trump's existing indebtedness. To accomplish this restructuring, on August 22, 1990, Mr. Trump and certain institutional lenders consummated the Credit Agreement and Override Agreement, which provided for, among other things, the following:

- A $65.0 million Credit Facility, the proceeds of which are to be used for the business operations of the Trump Entities in accordance with an approved business plan
- Deferral, for varying terms of up to five years, of the payment of interest on approximately $1.0 billion in existing institutional loans covered by the Override Agreement
- Extension of principal maturity dates, for varying terms of up to five years, of approximately $1.7 billion in existing institutional loans covered by the Override Agreement
- A five-year moratorium, subject to certain exceptions, on all legal actions against Mr. Trump personally under certain existing institutional loans covered by the Override Agreement

In consideration for the Credit Facility, interest deferrals, principal repayment extensions, and moratorium on the pursuit of claims against Mr. Trump personally, the Credit Agreement and Override Agreement lenders obtained various additional collateral related to Mr. Trump's assets, including equity liens on Taj Mahal, Plaza, and Castle.

The Credit Agreement and Override Agreement, by providing additional funds and deferring certain interest and principal payments, were intended to provide financial and operating stability to Mr. Trump and the Trump Entities. In addition, Trump management represented that the five-year moratorium on enforcing claims against Mr. Trump personally would provide Mr. Trump and the Trump Entities with the ability to operate in an orderly manner as well as allow time for Mr. Trump to develop and implement a long-term plan to address his financial situation.

However, despite the benefits of the Credit Agreement and Override Agreement, Mr. Trump's available financial resources have been lower than projected. Table I compares Mr. Trump's actual financial resources from August 31 to December 31, 1990 with the projected financial resources submitted in connection with the Credit Agreement and Override Agreement.

DONALD J. TRUMP[a]
ACTUAL VERSUS FORECASTED FINANCIAL RESOURCES
FROM AUGUST 31 TO DECEMBER 31, 1990
($ in Thousands)

Table I

	Actual			Forecasted			
Date	Cash Balance	Available Credit Facility[b]	Total Financial Resources	Cash Balance	Available Credit Facility	Total Financial Resources	Unfavorable Variance in Financial Resources
August 31	$22,032	$20,000	$42,032	$23,301	$25,000	$48,301	$ (6,269)
September 30	$17,110	$18,000	$35,110	$20,425	$25,000	$45,425	$(10,315)
October 31	$23,351	$18,000	$41,351	$19,174	$25,000	$44,174	$ (2,823)
November 30	$20,886	$18,000	$38,886	$19,807	$25,000	$44,807	$ (5,921)
December 31	$18,877	$18,000	$36,877	$52,536	$25,000	$77,536	$(40,659)

(a) These forecasted cash balances reflect Mr. Trump's personal cash balance after funding his personal expenses, as well as the operating activities and certain debt service requirements of the Trump Entities under the Credit Agreement and Override Agreement.

(b) The $2.0 million decrease in the available Credit Facility from August 31 to September 30, 1990 does not reflect a withdrawal of funds. Instead, this decrease reflects a $2.0 million commitment of funds under a letter of credit.

As shown in Table I, at December 31, 1990, Mr. Trump reported total financial resources of $36.9 million, compared to projected financial resources of $77.5 million. This substantial $40.6 million unfavorable variance primarily reflects the absence of $31.3 million in forecasted net proceeds from the sale of the Trump Princess yacht and the absence of $5.0 million in anticipated net proceeds from the sale of Mr. Trump's personal 727 aircraft, both of which were forecasted to occur in December 1990.

In addition to these asset sales, the forecasts submitted in connection with the Credit Agreement and Override Agreement included strategic operational modifications (reduced operating expenses and/or increased revenues) primarily at Castle, Plaza, and The Plaza Hotel in New York City, which were expected to increase Mr. Trump's available financial resources during the five months ended December 31, 1990. However, these anticipated strategic operational modifications were not sufficient to enable these entities to distribute any cash to Mr. Trump, as forecasted, during the five months ended December 31, 1990.

Primarily as a result of his cash flow difficulties, Mr. Trump is in technical default on certain debt obligations. As of March 31, 1991, Mr. Trump has not paid interest and/or principal amounts or is in noncompliance with certain nonmonetary covenants on the following debt instruments:

- Trump Taj Mahal Funding, Inc.'s $675.0 million 14.0% first mortgage bonds
- Trump Shuttle's $245.0 million first mortgage loan and $37.5 million agreement with Citibank, N.A.
- Crystal Tower Associates' (Trump Regency) $85.0 million first mortgage loan with Manufacturers Hanover Trust Company
- Taj Mahal's $50.0 million furniture, fixtures, and equipment loan with National Westminster Bank
- Castle's $50.0 million term loan and $13.0 million credit line with Midlantic National Bank
- Trump Palm Beaches Corporation's $26.5 million first mortgage loan with Marine Midland Bank
- Mar-a-Lago's $12.0 million first mortgage loan with Boston Safe Deposit and Trust Company

Taj Mahal-related obligations will be addressed in Taj Mahal's plan of reorganization under Chapter 11 of the United States Bankruptcy Code (see our report entitled "Financial Review of Petition No. 365001 of Trump Taj Mahal Associates" issued January 23, 1991). With respect to the other obligations that are currently in technical default, Trump management represented that the lenders have not exercised their rights with respect to a default on these obligations, since a restructuring of Mr. Trump's obligations is currently in negotiation.

FORECASTED STATEMENTS OF CASH FLOWS

To provide Mr. Trump's lenders with a three-year financial plan pursuant to covenants of the Credit Agreement and Override Agreement, on January 25, 1991, Mr. Trump and the Trump Entities prepared forecasted statements of cash flows for the years ending December 31, 1991, 1992, and 1993. In addition to entering 1991 with $40.6 million less in financial resources than originally anticipated, the January 1991 Forecasts contain certain differences from the forecasts submitted in conjunction with the Credit Agreement and Override Agreement, including the following:

- The sale of the Trump Princess yacht, which was originally forecasted to occur in December 1990 for net cash proceeds of $31.3 million, is now forecasted to occur in July 1991 with no net cash proceeds to Mr. Trump.
- Mr. Trump's personal 727 aircraft, which was originally forecasted to be sold in December 1990 for net cash proceeds of $5.0 million, is not forecasted to be sold during the forecast period.
- Property taxes on The Plaza Hotel of $3.7 million in January 1991, which were originally forecasted to be paid with The Plaza Hotel's available cash, are now forecasted to be paid by Mr. Trump. (These property taxes were paid by Mr. Trump in January 1991.)
- Certain Trump Entities that were originally expected to generate cash flow benefits through strategic operational modifications are not expected to distribute any funds to Mr. Trump through 1993.

The January 1991 Forecasts indicate that, under the current financial structure, Mr. Trump and the Trump Entities are expected to generate monthly cash flow deficits during 1991, exhausting the $18.9 million available cash balance and the $18.0 million available on the Credit Facility in July 1991. Table II illustrates Mr. Trump's and the Trump Entities' monthly forecasted cash flows for 1991.

DONALD J. TRUMP[a]
FORECASTED CASH FLOW ACTIVITY
FOR THE YEAR ENDING DECEMBER 31, 1991
($ in Thousands)

Table II

Month	Beginning Cash Balance	Cash Flow Deficit	Credit Facility Draws	Ending Cash Balance	Cumulative Cash Flow Deficit
January (b)	$18,877	$ (7,111)	-	$11,766	-
February (b)	$11,766	$ (1,164)	$2,000	$12,602	-
March (c)	$12,602	$(10,967)	-	$ 1,635	-
April	$ 1,635	$ (3,759)	-	-	$ (2,124)
May	-	$ (3,204)	-	-	$ (5,328)
June	-	$ (2,790)	-	-	$ (8,118)
July	-	$ (8,625)	-	-	$(16,743)
August	-	$ (2,783)	-	-	$(19,526)
September	-	$ (1,467)	-	-	$(20,993)
October	-	$ (2,290)	-	-	$(25,283)
November	-	$ (2,417)	-	-	$(25,700)
December	-	$ (2,005)	-	-	$(27,705)

(a) These cash balances reflect Mr. Trump's personal cash flow deficits after funding his personal expenses and the operating activities and certain debt service requirements of the Trump Entities. It should be noted that, while Mr. Trump expects to exhaust his available financial resources in July 1991, most of the Trump Entities are expected to retain a minimum cash balance to fund daily operating needs.

(b) Actual

(c) Estimated as of March 26, 1991

As shown in Table II, despite the cash flow benefits provided by the Credit Agreement and Override Agreement, Mr. Trump is not expected to generate sufficient financial resources to fund his operations through 1991. From April through December 1991, Mr. Trump projects monthly cash flow deficits ranging from a minimum of $1.5 million in September 1991 to a maximum of $8.6 in July 1991. Consequently, Mr. Trump's $18.9 million cash balance at December 31, 1990 is expected to be exhausted during April 1991. However, Mr. Trump estimates having $16.0 million available on the Credit Facility at March 31, 1991, which would be sufficient to fund Mr. Trump's monthly cash flow deficits until July 1991, when he would exhaust his available Credit Facility. To meet the anticipated cash requirements for the remainder of 1991, the January 1991 Forecasts indicate that Mr. Trump and the Trump Entities would need $11.7 million in additional financial resources.

The January 1991 Forecasts indicate that Mr. Trump would not be financially stable through the upcoming licensure periods of Taj Mahal, THMC, Plaza, and Castle under the current financial structure of the Trump Entities. Furthermore, as a result of his severely limited financial resources, Mr. Trump cannot be relied upon as a financial source for Taj Mahal, Castle, or Plaza during their respective licensure periods.

However, in response to his current financial difficulties, Mr. Trump and representatives of The Trump Organization are currently negotiating the Proposed Restructuring with Mr. Trump's primary lenders. Based on these negotiations, on February 20, 1991, Stephen F. Bollenbach, chief financial officer of The Trump Organization, submitted an outline of the Proposed Restructuring to Mr. Trump's primary lenders. The Proposed Restructuring seeks, among other things, the following:

- A termination of the $65.0 million Credit Agreement and the Override Agreement
- A release of Mr. Trump from his personal guarantees on certain loans
- To allow Mr. Trump to retain his equity interests in certain assets

To effectuate this proposed restructuring, each lender would isolate its secured asset (or group of assets) for repayment, primarily through a liquidation of such assets, and release Mr. Trump from his personal guarantees. In certain cases, the lender would be required to fund the carrying costs of their asset(s), and fund value-enhancing programs where appropriate.

On March 27, 1991, members of The Trump Organization met with members of the Commission staff and Division of Gaming Enforcement to discuss the current status of negotiations with respect to the Proposed Restructuring. Mr. Bollenbach represented that negotiations with Mr. Trump's lenders are progressing satisfactorily. However, primarily due to the number of assets, the amount of debt, and the number of lenders involved, Harvey I. Freeman, executive vice president of The Trump Organization, represented that finalized documents related to the Proposed Restructuring may not be completed until August 1991. Despite that, the revised March 1991 Forecasts were prepared, which management stated represent the anticipated cash flows of Mr. Trump and the Trump Entities for 1991, 1992, and 1993 based upon management's proposals as presented to their primary lenders. As previously stated, we have not analyzed the March 1991 Forecasts since, to date, the assumptions and representations underlying them have not been agreed to by the lenders and no written documentation has been submitted to support them.

CONCLUSION

Based on the January 1991 Forecasts, Mr. Trump can not be considered financially stable for the upcoming licensure periods of Taj Mahal, THMC, Castle, and Plaza. Consequently, in our opinion, as of April 11, 1991, Mr. Trump has not provided clear and convincing evidence of his financial stability under Section 84(a) of the Act necessary for the renewal of Taj Mahal's and THMC's plenary casino licenses for a one-year period and Plaza's and Castle's plenary casino licenses for a two-year period. However, if The

Trump Organization can provide evidence that supports the likelihood of the Proposed Restructuring occurring as presented in the March 1991 Forecasts, financial stability might be demonstrated.

DONALD J. TRUMP
STATEMENT OF FINANCIAL CONDITION
AS OF SEPTEMBER 30, 1990
($ in Thousands)

Table III

Assets:	
Cash and Cash Equivalents	$ 17,110
Marketable Securities	36,882
Real Estate Properties Owned Directly:	
Atlantic City Properties	1,557,179
Other	1,400,613
Real Estate Properties Owned in Conjunction with Others	116,197
Commercial Airlines	402,688
Personal Residences	30,000
Personal Transportation Assets	55,000
Leasehold Interests	2,700
Other Assets	5,000
Total Assets	$3,623,369
Liabilities:	
Credit Line Borrowings	$ 330,618
Notes and Mortgages Payable:	
Atlantic City Properties	1,593,266
Other Real Estate Properties	1,351,193
Accrued Interest Payable	102,986
Accrued Legal Fees, Taxes, and Other Expenses	10,000
Minority Interest - Lincoln West Project	29,557
Total Liabilities	3,417,620
Net Worth	205,749
Total Liabilities and Net Worth	$3,623,369